

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4101-05  
Bill No.: HB 1833  
Subject: Agriculture and Animals; Agriculture Department; Education, Elementary and Secondary; Elementary and Secondary Education Department  
Type: Original  
Date: March 9, 2010

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Bill Summary: This proposal establishes the Farm to Institution Initiative to increase access to locally grown agricultural food products.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	(\$191,017 to Unknown)	(\$215,100 to Unknown)	(\$221,625 to Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$191,017 to Unknown)</b>	<b>(\$215,100 to Unknown)</b>	<b>(\$221,625 to Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Farm to Institution Initiative Fund*	\$0	\$0	\$0
<b>Total Estimated Net Effect on Other State Funds*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**\* Offsetting Transfers In and Expenses are Unknown**

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 10 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	3 FTE	3 FTE	3 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>3 FTE</b>	<b>3 FTE</b>	<b>3 FTE</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

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## **FISCAL ANALYSIS**

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### **ASSUMPTION**

Officials from the **Department of Corrections** and **Office of State Treasurer** assumed no fiscal impact to their respective agencies resulting from this proposal.

Officials from the **Department of Economic Development** anticipate minimal impact as a result of the proposed legislation and assume the impact can be absorbed.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume there should be no added cost to BAP as a result of this proposed legislation. There could be an impact to other state agencies, including Office of Administration's Division of Purchasing and Materials Management, and the departments of Agriculture, Economic Development, Elementary and Secondary Education, Corrections, Health, and Mental Health. There could also be an impact on food costs for the state's veteran homes that are run by the Missouri Veterans' Commission.

Officials from the **Office of Administration - Division of Purchasing and Materials Management (DPMM)** state their agency would have to establish procedures to implement the percentage price preference. They would also have to amend state institution cafeteria procurement regulations to incorporate the requirements of §261.328.4 which involved state food contract plans to maximize the purchase of locally grown food. DPMM assigned no fiscal cost to these changes

DPMM states that in some cases, this proposal may increase the price of contract items in order to meet the locally grown food requirements.

ASSUMPTION (continued)

Officials from the **Department of Agriculture (AGR)** state this proposed legislation requires the Ag Business Development (ABD) to administer all operations of the Missouri Farm to Institution Program and coordinate with other agencies to promulgate rules and promote economic and health benefits. Additionally, ABD will develop a request for proposal (RFP) for grants to be awarded to eligible participants to implement the farm to institution program.

According to officials from AGR, implementation of the program will require hiring three additional staff. An Ag Manager will be responsible for program development and oversight, rule promulgation and Request for Proposal for grants development. A Marketing Specialist will report to the Ag Manager and will assist in program implementation and working with universities, state agencies and other entities to promote the benefits of the program. The Administrative Office Support Assistant will provide administrative support for the manager and marketing specialist.

**Oversight** notes a vehicle is listed in equipment expenditures. **Oversight** assumes a vehicle could be used from an existing fleet. Oversight also notes an expense listed for IT Programming and software. **Oversight** assumes IT is provided with core funding to handle a certain amount of activity each year. **Oversight** assumes IT could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, AGR could request funding through the appropriation process. For fiscal note purposes only, **Oversight** will not assign a cost for a vehicle or programming costs.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume costs to the state depend on the extent to which DESE collaborates with the other departments to carry out the requirements of this proposal. Providing training, conducting workshops, and administering a process to review grant proposals and award grants will likely lead to significant costs for DESE as well as the need for additional FTE. Costs to local school districts depend on the extent to which districts become involved in terms of developing gardens and meeting the suggested procurement goals. Depending upon the circumstances, purchasing of food locally could be more expensive or less expensive than purchasing from a distributor. DESE assumes costs at the state and local level cannot be estimated.

Officials from the **Department of Mental Health (DMH)** state the majority of food products for the DMH facilities are purchased from state contracts. State contracted food service vendors generally have favorable pricing from their national suppliers. Depending on how the legislation is implemented and which specific food products are included in the program, there would be a potential for price increases for some products. The amount of the fiscal impact is unknown;

ASSUMPTION (continued)

however, it would likely be a cost less than \$100,000.

Officials from the **Department of Health and Senior Services (DOHSS)** assume it is not clear what level of collaboration, coordination, and consultation DOHSS would be responsible for providing as a result of the proposed legislation. DOHSS expects to contribute some information on nutritional standards for schools to the Department of Agriculture and/or the Department of Elementary and Secondary Education and anticipates reviewing proposed regulations from the Department of Agriculture. These activities would not require additional staff or resources from DHSS; however, depending on the scope of the program set up by the Department of Agriculture, it is unknown if DOHSS would be required to provide assistance in nutrition education, training sessions, and technical assistance to schools and school food service personnel. DOHSS is unable to determine a fiscal impact for this bill. Since the scope of the work is to be determined by the Department of Agriculture, the fiscal impact on DHSS is \$0 to (Unknown).

According to officials from the **Missouri Veterans Commission (VET)**, there is a mandatory statewide contract titled Food Service (Prime Vendor) awarded to US Food Service by the Division of Purchasing-Materials and Management. A portion of this contract includes the terms and conditions of the state of Missouri that designates certain preferences:

7. PREFERENCES:

- a. In the evaluation of proposals, preferences shall be applied in accordance with Chapter 34 RSMo. Contractors should apply same preferences in selecting subcontractors.
- b. By virtue of statutory authority, a preference will be given to materials, products, supplies, provisions and all other articles produced, manufactured, made or grown within the State of Missouri and to all firms, corporations or individuals doing business as Missouri firms, corporations or individuals. Such preference shall be given when quality is equal or better and delivered price is the same or less.
- c. In accordance with Executive Order 05-30, contractors are encouraged to utilize certified minority and women-owned businesses in selecting subcontractors.
- d. In the evaluation of proposals, a service-disabled Veteran business preference shall be applied in accordance with §34.074 RSMo.

The Missouri Veterans Commission utilizes a vendor who is based in Missouri. The vast

ASSUMPTION (continued)

majority of their food comes from this one vendor, and they do not have access to or control of the origin of the raw foods, which may or may not already be originating in Missouri already.

Without knowing the future prices of raw foods or farm grown fruits and vegetables, VET could not quantify the positive or negative financial impacts.

Officials from the **Parkway School District** assume no fiscal impact to their district resulting from this proposed legislation.

Officials from the **Independence School District** assume there is no negative fiscal impact to their district.

Officials from the **Francis Howell School District (FHSD)** assume the use of locally grown food requires more preparation time than USDA commodities or other pre-prepared food items. FHSD officials assume that at full implementation, the proposed legislation would require the addition of one 4-hour staff person for each of the district cafeterias. The total fiscal impact for a year would be \$129,600.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
<b>GENERAL REVENUE</b>			
<u>Cost</u> - Department of Agriculture (AGR) - 3 FTE			
Personal Services	(\$106,437)	(\$131,556)	(\$135,503)
Fringe Benefits	(\$55,816)	(\$68,988)	(\$71,058)
Equipment and Expense	(\$28,764)	(\$14,626)	(\$15,064)
Total Cost - AGR	(\$191,017)	(\$215,100)	(\$221,625)
<u>Cost</u> - AGR - Program funding for "Farm to Institution Initiative"	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - Various Agencies - Program costs	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - Various Agencies - Increased food costs	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(\$191,017 to Unknown)</u></b>	<b><u>(\$215,100 to Unknown)</u></b>	<b><u>(\$221,625 to Unknown)</u></b>
<b>ESTIMATED NET CHANGE IN FTE - GENERAL REVENUE</b>	<b>3 FTE</b>	<b>3 FTE</b>	<b>3 FTE</b>

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
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**FARM TO INSTITUTION  
INITIATIVE FUND**

<u>Transfer In</u> - General Revenue - Program and Grant funding	Unknown	Unknown	Unknown
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<u>Cost</u> - Program expenses for Farm to Institution Initiative	(Unknown)	(Unknown)	(Unknown)
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<u>Cost</u> - Grants to small farmers	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON  
FARM TO INSTITUTION  
INITIATIVE FUND**

<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
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**POLITICAL SUBDIVISIONS**

<u>Cost</u> - School Districts - Increased food costs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON  
POLITICAL SUBDIVISIONS**

<u><b>(Unknown)</b></u>	<u><b>(Unknown)</b></u>	<u><b>(Unknown)</b></u>
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FISCAL IMPACT - Small Business

This proposal could have a fiscal impact on small farmers.

FISCAL DESCRIPTION

This proposed legislation establishes the Farm to Institution Initiative in the Agriculture Business Development Division within the Department of Agriculture to improve public awareness of and access to agricultural products produced or processed by small farmers and small agribusinesses, promote a sustainable Missouri food system, and strengthen the state's economy. The division



FISCAL DESCRIPTION (continued)

may coordinate with the departments of Elementary and Secondary Education, Health and Senior Services, Corrections, Mental Health, and Economic Development to promote the economic and health benefits of the initiative. In its main provisions, the proposal:

- (1) Requires the division to provide small farmers and small agribusinesses with financial and technical assistance in the branding, marketing, and distribution of locally grown agricultural products;
- (2) Establishes the Farm to Institution Program, in collaboration with the departments of Elementary and Secondary Education, Health and Senior Services, Corrections, Mental Health, and Economic Development, to reduce obesity, improve nutrition and public health, and strengthen local agricultural economies by increasing access to and promoting the consumption of locally grown foods;
- (3) Establishes the Farm Fresh Schools Program to link schools with locally grown food, develop nutritional awareness, healthy eating habits, and physical activity for the overall wellness of students, provide hands-on learning activities in basic life skills emphasize the purchase of locally grown foods by schools, establish specified goals regarding these purchases, identify existing resources for processing foods locally and funding sources for the expansion of local processing facilities, and allow for a percentage price preference for locally produced or processed food;
- (4) Establishes the Farm to Cafeteria Program, in collaboration with the departments of Elementary and Secondary Education, Health and Senior Services, Corrections, Mental Health, and Economic Development, to build partnerships to reform state institution food procurement policies to facilitate the purchase of locally grown foods by linking local food producers and processors with institutions, emphasize the purchase of locally grown foods by institutions, establish specified goals regarding these purchases, identify existing resources for processing foods locally and funding sources for the expansion of local processing facilities, and allow for a percentage price preference for locally produced or processed food;
- (5) Creates the Farm to Institution Initiative Fund consisting of moneys appropriated for the program, gifts, bequests, or donations to be used solely for the administration of the programs; and,
- (6) Requires grants to be awarded from the fund to eligible participants on a competitive bid process to implement the Farm to Institution Program with the first six grants awarded based on need in counties with a significant agricultural economy.

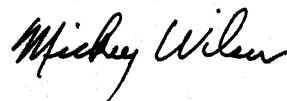
FISCAL DESCRIPTION (continued)

The provisions of the proposal will expire six years from the effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration  
    Division of Budget and Planning  
    Division of Purchasing and Materials Management  
Department of Agriculture  
Department of Elementary and Secondary Education  
Office of Secretary of State  
    Administrative Rules Division  
Office of State Treasurer  
Department of Economic Development  
Department of Corrections  
Department of Mental Health  
Department of Health and Senior Services  
Department of Public Safety  
    Missouri Veterans Commission  
School Districts  
    Independence  
    Parkway  
    Francis Howell



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Director  
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